

FCC Form 481 - Carrier Annual Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	371581
<015>	Study Area Name	PIERCE TEL CO
<020>	Program Year	2018
<030>	Contact Name: Person USAC should contact with questions about this data	Will Fogle
<035>	Contact Telephone Number: Number of the person identified in data line <030>	4023296225 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	wfogle@piercetelephone.com
Form Type		54.313 and 54.422

**(200) Service Outage Reporting (Voice)**  
**Data Collection Form**

FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
 July 2013

<010>	Study Area Code	371581
<015>	Study Area Name	PIERCE TEL CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Will Fogle
<035>	Contact Telephone Number - Number of person identified in data line <030>	4023296225 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelephone.com

**<210> For the prior calendar year, were there any reportable voice service outages?**                     No                    

[illegible]

**(300) Unfulfilled Service Request  
Data Collection Form**

FCC Form 481

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<010> Study Area Code	371581
<015> Study Area Name	PIERCE TEL CO
<020> Program Year	2018
<030> Contact Name - Person USAC should contact regarding this data	Will Fogle
<035> Contact Telephone Number - Number of person identified in data line <030>	4023296225 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelphone.com

&lt;300&gt; Unfulfilled service request (voice)

0

&lt;310&gt; Detail on attempts (voice)

Name of Attached Document

&lt;320&gt; Unfulfilled service request (broadband)

0

&lt;330&gt; Detail on attempts (broadband)

Name of Attached Document

(400) Number of Complaints per 1,000 customers  
Data Collection Form

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July 2013

<010>	Study Area Code	371561
<015>	Study Area Name	PIERCE TEL CO
<020>	Program Year	201A
<030>	Contact Name - Person USAC should contact regarding this data	Will Fogle
<035>	Contact Telephone Number - Number of person identified in data line <030>	4023296225 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelphone.com
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered both fixed and mobile voice
<410>	Complaints per 1000 customers for fixed voice	0.0
<420>	Complaints per 1000 customers for mobile voice	0.0
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered both fixed and mobile broadband
<440>	Complaints per 1000 customers for fixed broadband	0.0
<450>	Complaints per 1000 customers for mobile broadband	0.0

(500) Compliance With Service Quality Standards and Consumer Protection Rules  
Data Collection Form

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<010>	Study Area Code	171581
<015>	Study Area Name	PIERCE TEL CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Will Fogie
<035>	Contact Telephone Number - Number of person identified in data line <030>	4023296225 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	wfogie@piercetelphone.com
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
		371581n0510.pdf
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	
<515>	Certify compliance with applicable minimum service standards	

(600) Functionality In Emergency Situations Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	371581
<015>	Study Area Name	PIERCE TEL CO
<020>	Program Year	2011
<030>	Contact Name - Person USAC should contact regarding this data	Willi Pogle
<035>	Contact Telephone Number - Number of person identified in data line <030>	4027296225 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelphone.com
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	371581ne610.pdf

<010>	Study Area Code	371581
<015>	Study Area Name	PIERCE TEL CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Will Fogle
<035>	Contact Telephone Number - Number of person identified in data line <030>	4023296225 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelephone.com
<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	17.5

[illegible]





(800) Operating Companies  
Data Collection Form  
FCC Form 481  
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July 2013

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<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Will Fogle
<035>	Contact Telephone Number - Number of person identified in data line <030>	4023296225 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelephone.com
<810>	Reporting Carrier	Pierce Telephone Company, Inc.
<811>	Holding Company	Pierce Telecommunications, Inc.
<812>	Operating Company	NA

[illegible]

<b>(900) Tribal Lands Reporting</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<b>&lt;010&gt; Study Area Code</b>	371581
<b>&lt;015&gt; Study Area Name</b>	PIERCE TEL CO
<b>&lt;020&gt; Program Year</b>	2018
<b>&lt;030&gt; Contact Name - Person USAC should contact regarding this data</b>	Will Fogle
<b>&lt;035&gt; Contact Telephone Number - Number of person identified in data line &lt;030&gt;</b>	4023296225 ext.
<b>&lt;039&gt; Contact Email Address - Email Address of person identified in data line &lt;030&gt;</b>	wfogle@piercetelephone.com

**<900> Does the filing entity offer tribal land services? (Y/N)** No

**<910> Tribal Land(s) on which ETC Serves**

**<920> Tribal Government Engagement Obligation**

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.**
- <922> Feasibility and sustainability planning;**
- <923> Marketing services in a culturally sensitive manner;**
- <924> Compliance with Rights of way processes**
- <925> Compliance with Land Use permitting requirements**
- <926> Compliance with Facilities Siting rules**
- <927> Compliance with Environmental Review processes**
- <928> Compliance with Cultural Preservation review processes**
- <929> Compliance with Tribal Business and Licensing requirements.**

Select Yes or No or Not Applicable
/ / / / / / / / / /

**(1000) Voice and Broadband Service Rate Comparability****Data Collection Form**

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<030>	Contact Name - Person USAC should contact regarding this data	Will Fogle
<035>	Contact Telephone Number - Number of person identified in data line <030>	4023296225 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelphone.com

<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance

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Name of Attached Document

<1020> Broadband comparability certification

Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1030> Attach detailed description for broadband comparability compliance

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Name of Attached Document

**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

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<010>	Study Area Code	371581
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<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Will Fogle
<035>	Contact Telephone Number - Number of person identified in data line <030>	4023296225 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelphone.com

&lt;1100&gt; Certify whether terrestrial backhaul options exist (Y/N)

Yes

&lt;1130&gt; Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

**(1200) Terms and Condition for Lifeline Customers****Lifeline****Data Collection Form**

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<030>	Contact Name - Person USAC should contact regarding this data	Will Fogle
<035>	Contact Telephone Number - Number of person identified in data line <030>	4023296225 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelphone.com

371581ne1210.pdf

&lt;1210&gt; Terms &amp; Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

&lt;1220&gt; Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☒
- <1222> Details on the number of minutes provided as part of the plan, ☒
- <1223> Additional charges for toll calls, and rates for each such plan. ☒

<b>(2005) Price Cap Carrier Additional Documentation</b> <b>Data Collection Form</b> <i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>	<b>FCC Form 481</b> <b>OMB Control No. 3060-0986/OMB Control No. 3060-0819</b> <b>July 2013</b>
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<b>&lt;010&gt;</b> Study Area Code	371581
<b>&lt;015&gt;</b> Study Area Name	PIERCE TEL CO
<b>&lt;020&gt;</b> Program Year	2018
<b>&lt;030&gt;</b> Contact Name - Person USAC should contact regarding this data	Will Fogle
<b>&lt;035&gt;</b> Contact Telephone Number - Number of person identified in data line <030>	4023296225 ext.
<b>&lt;039&gt;</b> Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelco.com

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

### Incremental Connect America Phase I reporting

- <2011>** 3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.
- <2022>** Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.
- <2023>** The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2024A>** Round 2 Recipient of Incremental Support?
- <2024B>** Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2025A>** Round 2 Recipient of Incremental Support?
- <2025B>** Attach geocoded information for Phase I milestone reports (Round 2 for year three) - Connect America Fund, WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).
- <2015>** 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)





Name of Attached Document Listing  
Required Information

Name of Attached Document Listing  
Required Information

(2005) Price Cap Carrier Additional Documentation

Data Collection Form

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481

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July 2013

**Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}**

&lt;2016&gt; Certification support used to build broadband

**Connect America Phase II Reporting {47 CFR § 54.313(e)}**

&lt;2017A&gt; Connect America Fund Phase II recipient?

&lt;2017C&gt; Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

&lt;2018&gt; Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing  
Required Information

&lt;2019&gt; Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

(3005) Rate Of Return Carrier Additional Documentation Data Collection Form	FCC Form 481 OMB Control No. 3060-0385/OMB Control No. 3060-0319 July 2013
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<010>	Study Area Code	371581
<015>	Study Area Name	PIERCE TEL CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Will Fogle
<035>	Contact Telephone Number - Number of person identified in data line <030>	4023296225 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelphone.com

Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)	Yes - Attach Certification
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}	371581nc3010.pdf
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	No - No New Community Anchors
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	<input type="radio"/> Yes <input checked="" type="radio"/> No
(3014)	If yes, does your company file the RUS annual report	(Yes/No) <input type="radio"/> Yes <input checked="" type="radio"/> No
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:		
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)	<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No) <input type="radio"/> Yes <input checked="" type="radio"/> No
If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:		
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers	<input type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit. If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:	<input type="checkbox"/>
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers	<input checked="" type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant	<input checked="" type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.	<input checked="" type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows	<input checked="" type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information 371581nc3026.pdf, 371581nc3026a.pdf



(3005) Rate Of Return Carrier Additional Documentation (Continued)	FCC Form 481
Data Collection Form	OMB Control No. 3060-0986/OMB Control No. 3060-0819
	July 2013

<010> Study Area Code	371581
<015> Study Area Name	PIERCE TEL CO
<020> Program Year	2018
<030> Contact Name - Person USAC should contact regarding this data	Will Fogle
<035> Contact Telephone Number - Number of person identified in data line <030>	4023296225 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelphone.com

## Financial Data Summary

(3027) Revenue

(3028) Operating Expenses

(3029) Net Income

(3030) Telephone Plant In Service(TPIS)

(3031) Total Assets

(3032) Total Debt

(3033) Total Equity

(3034) Dividends

(4005) Rural Broadband Experiment Additional Documentation Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	371581
<015>	Study Area Name	PIERCE TEL CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Will Poole
<035>	Contact Telephone Number - Number of person identified in data line <030>	402234226 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	wfogle@piarceltelephone.com

#### 4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

#### Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

**4001.** Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

#### Community Anchor Institutions – FCC 14-98 (paragraph 79)

**4003a.** RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

**4003b.** Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information \_\_\_\_\_

#### Broadband Deployment Locations – FCC 14-98 (paragraph 80)

**4004a.** Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information \_\_\_\_\_

**4004b.** Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information \_\_\_\_\_

<b>Certification - Reporting Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<030> Contact Name - Person USAC should contact regarding this data	Will Fogle
<035> Contact Telephone Number - Number of person identified in data line <030>	4023296225 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelphone.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

<b>Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients</b>	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: PIERCE TEL CO	
Signature of Authorized Officer: CERTIFIED ONLINE	Date 07/03/2017
Printed name of Authorized Officer: William Fogle	
Title or position of Authorized Officer: Vice President	
Telephone number of Authorized Officer: 4023296225 ext.	
Study Area Code of Reporting Carrier: 371581	Filing Due Date for this form: 07/03/2017
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<039> Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelephone.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent Firm: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Name of Authorized Agent Employee: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

## Attachments

(700) Price Offerings Including Voice Rate Data  
Data Collection Form

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
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<039>	Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelphone.com

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	17.5

<703>

[illegible]

(710) Broadband Price Offerings  
Data Collection Form

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<039>	Contact Email Address - Email Address of person identified in data line <030>	wfogle@piercetelephone.com

[illegible]

**Pierce Telephone Company**  
**Certification of Compliance with Applicable Service Quality Standards and**  
**Consumer Protection Rules for Voice and Broadband Services**

Service quality standards and consumer protection rules for broadband are not as defined as the rules for voice services. The Company complies with any service quality standards and consumer protection rules for broadband that are out there now and any that will be defined in the future.

Service Quality Standards

For voice services, the Company:

- Provides voice grade access to the public switched network.
- Provides flat rated local exchange service with no additional charge to end users.
- Provides access to the emergency services provided by local government or other public safety organizations, such as 911 and enhanced 911.
- Provides toll blocking and toll limitation services.

For voice and broadband services, the Company:

- Advertises the availability of its services and the charges using media of general distribution and/or on its website.
- Maintains a business office providing customers with access to a customer service representative either in person or via a local telephone call or toll-free telephone number during business hours.
- Directs after hour calls to the Company's voice mail which allows customers to leave a message and a repairman will be paged.
- Directs trouble reports to the on-call technician.
- Tracks all service orders to ensure they are completed in a timely manner.
- Measures its service connection and service interruption performance on a regular basis.
- Trains employees to:
  - Answer all incoming calls promptly.
  - Respond to all inquiries for information promptly and courteously.
  - Investigate thoroughly all customer complaints and handle appropriately according to the Company's guidelines for resolution of customer complaints.
  - Be knowledgeable about products and service offerings so they can assist the customer with selecting the best service option.
- Has a process for periodic inspection, testing and preventive maintenance of its equipment to permit the rendering of safe, adequate and continuous service at all times.
- Meets or exceeds the standards established by the state commission and provides any reports required in accordance with the state commission's rules.

Consumer Protection Rules

The Company has established operating procedures designed to facilitate compliance with applicable consumer protection rules which include compliance with the Customer Proprietary Network Information (CPNI) rules. The operating procedures include:

- Appointment of a compliance officer.
- A manual detailing the specific procedures for protecting consumer information.
- Employee training on an annual basis.
- A disciplinary process for improper use of consumer information.

If complaints are filed with the Company regarding consumer protection rules, the complaint is immediately investigated, the matter tracked and any corrective action noted. This process ensures that problems are addressed and corrections made.



**Pierce Telephone Company, Inc.**

**Ability to Remain Functional in Emergency Situations for Voice and Broadband Services  
FCC Form 481 – Line 610**

1. Pierce Telephone Company, Inc. (PTC) has been providing high quality service in Nebraska since 1955. This includes operating in adverse conditions including blizzards, ice storms, thunderstorms, tornadoes and during prolonged power outages. PTC's management team, plant supervisors, plant technicians and customer service representatives have the training, experience and equipment necessary to respond to, manage and operate in emergency situations.
2. Pierce Telephone Company, Inc. follows applicable Rural Utilities Service (RUS) Telecommunications program practices and guidelines including the Telecommunications Engineering and Construction Manual (TE&CM) and other industry standards available to small telecommunications carriers. Pierce Telephone Company, Inc. also meets the requirements of the Nebraska Public Service Commission (NPSC) as applied to local exchange service.
3. Back-Up Power

**3.1. Central Office**

- 3.1.1. Pierce Telephone Company, Inc. maintains storage batteries designed to provide a minimum reserve capacity consistent with RUS TE&CM 1751E-302, Power Requirements for Digital Central Office Equipment. 1751E-302 paragraph 2.3.4 recommends a minimum reserve capacity of 8 hours, or 3 hours if the central office is equipped with an emergency standby generator. This is consistent with Title 291, NPSC Telecommunications Rules and Regulations, Chapter 5, paragraph 002.05 Emergency Operations and Power.
- 3.1.2. Pierce Telephone Company, Inc. maintains a dedicated standby generator fueled with a 50 gallon reserve supply of diesel fuel at the Pierce central office and a standby generator fueled with a 500 gallon reserve supply of liquid propane gas (LPG) at the Hoskins central office. The standby units are equipped with an automatic transfer switch so that in the event of an interruption of the commercial electric power lasting more than a few minutes, the standby generator starts automatically and provides electrical power to the central office equipment, air conditioning and building lighting. The automatic transfer switch also exercises the standby unit periodically and an alarm indication is sent if the standby generator does not start so that telecommunications personnel can perform proactive maintenance.

**Pierce Telephone Company, Inc.**  
**Ability to Remain Functional in Emergency Situations for Voice and Broadband Services**  
**FCC Form 481 – Line 610**

**3.2. Remote Equipment Cabinets**

3.2.1. Where electronic equipment in cabinets located remotely from the central office, is used to provide service, the cabinets are equipped with batteries designed to operate for a minimum of eight hours without commercial electrical power. In addition, Pierce Telephone Company, Inc. maintains portable AC standby generators for use in the event of prolonged commercial power interruptions and the cabinets are equipped with external receptacles to facilitate connection to portable generators.

**4. Rerouting Traffic around Damaged Facilities**

4.1. In the event of damage to cable facilities owned by Pierce Telephone Company, Inc., our maintenance personnel would restore service using emergency splice kits kept on hand for these types of service disruptions. If the damaged facilities are not owned by Pierce Telephone Company, Inc. we would work with the carrier directly affected to identify the source of disruption and the estimated amount of time before service is restored.

4.2. Pierce Telephone Company, Inc. currently has diverse fiber routes. One route supports toll calling and the other route supports Internet service. In the event of an extended outage, contact would be made with the other service provider to provision temporary alternate routes supporting originating and terminating toll calls. Emphasis would first be placed on establishing connections to nearby PSAP, law-enforcement and emergency services.

**5. Managing Traffic Spikes**

5.1. Pierce Telephone Company, Inc. meets Title 291, NPSC Telecommunications Rules and Regulations, Chapter 5, paragraph 002.12 Dial Service Objectives for sufficient central office capacity and equipment during the "...average busy hour-busy season..."

5.2. Pierce Telephone Company, Inc. follows applicable RUS practices 522 and 322 when specifying, administering, and assigning facilities within its control (as opposed to facilities ordered by connecting interexchange carriers).

**Pierce Telephone Company, Inc.**

**Ability to Remain Functional in Emergency Situations for Voice and Broadband Services  
FCC Form 481 – Line 610**

- 5.3. The Pierce and Hoskins central office switches were upgraded to a Genband C-15 from the old Genband DMS-10. The C-15 is designed to support up to 100,000 access lines and provides more efficiency and flexibility. It has additional capacity over and above the minimums specified to meet NPSC and RUS guidelines.
- 5.4. When traffic volumes greatly exceed specified criteria and additional capacity of the switch or connecting facilities, the C-15 continues to process calls but with potentially longer waiting times for dial tone, higher post-dialing delays and a higher probability of callers receiving all trunks busy indications (fast busy) and having to redial calls. Depending on the magnitude and duration of extreme peak demand, PTC would examine alternatives such as provisioning additional facilities and work with connecting carriers to expedite additional capacity.

**Pierce Telephone Company**

**Nebraska Telephone Assistance Program Terms and Conditions**

**Nebraska Telephone Assistance Program**

The Nebraska Telephone Assistance Program (NTAP) is available for qualifying customers of Pierce Telephone Company. NTAP assistance reduces the cost of basic, monthly local telephone service. Eligible consumers can receive up to \$12.75 per month in discounts. In addition, the Federal Universal Service Charge is not assessed to consumers participating in NTAP. Toll Blocking prevents the placement of all long distance calls for which a subscriber would be charged. Toll blocking is available to eligible consumers at no cost. Also, by choosing this option, consumers are usually not charged a deposit.

NTAP is administered by the Nebraska Public Service Commission.

**NTAP Eligibility Information**

**Program Based Eligibility**

To qualify for NTAP, subscribers must either have an income that is at or below 135% of the Federal Poverty Guidelines, or the subscriber, one or more of the subscriber's dependents, or the subscriber's household must receive benefits from one of the following assistance programs:

- Federal Public Housing Assistance (Section 8)
- Medicaid
- Children's Health Insurance Program/Kids Connection (SAM, MAC or EMAC)
- Supplemental Nutrition Assistance Program (SNAP); (formerly the Food Stamps Program)
- Supplemental Security Income (SSI)
- Veteran's Pension and Survivor Benefit

To receive an NTAP application, contact your local *Health and Human Services* agency caseworker or the *Nebraska Public Service Commission*, 1200 N Street, Suite 300, PO Box 94927, Lincoln, NE 68508-4927, Phone: 402-471-3101, Toll Free: 1-800-526-0017 or [http://www.psc.nebraska.gov/ntips/ntips\\_ntap.html](http://www.psc.nebraska.gov/ntips/ntips_ntap.html)

NTAP applicants must present documentation demonstrating eligibility either through participation in one of the qualifying federal assistance programs or through income-based means.

Acceptable documentation of program-based eligibility includes: current or prior year's statement of benefits from a qualifying state, federal or Tribal program; notice letter of participation in a qualifying state, federal or Tribal program; program participation documents; or another official document evidencing the consumer's participation in a qualifying state, federal or Tribal program.

**Income Based Eligibility**

In addition, consumers are eligible for NTAP if their household income is at or below 135% of the federal poverty guidelines.

## 2016 Federal Poverty Guidelines – 135%

Household Size	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$16,281	\$20,331	\$18,711
2	\$21,924	\$27,392	\$25,205
3	\$27,567	\$34,452	\$31,698
4	\$33,210	\$41,513	\$38,192
5	\$38,853	\$48,573	\$44,685
6	\$44,496	\$55,634	\$51,179
7	\$50,139	\$62,694	\$57,672
8	\$55,782	\$69,755	\$64,166
For each additional person, add	\$5,643	\$7,061	\$6,493

Acceptable documentation of income eligibility includes: prior year's state, federal or Tribal tax return; current income statement from an employer or paycheck stub; social security statement of benefits; Veterans Administration statement of benefits; retirement/pension statement of benefits; unemployment/workmen's compensation statement of benefits; federal or Tribal notice of letter participating in General Assistance; or a divorce decree or child support award or other official document containing income information.

**Numbers of Minutes-of-Use Provided as Part of NTAP Program Service**

Pierce Telephone Company's Voice NTAP service includes unlimited local minutes-of-use within the toll-free calling area. Pierce Telephone Company's Voice NTAP Plan does not include any free minutes-of-use for toll. Toll is billed at the standard toll rate depending on which interexchange carrier the consumer subscribes to for toll service. As part of the NTAP service, Toll blocking is available to eligible consumers at no cost.

**Rates**

Subscribers may receive the NTAP credit on any type or grade of local service, including bundled services that are normally offered by Pierce Telephone Company. Advertised rates do not include any applicable taxes or surcharges.

**Recertification of NTAP Eligibility**

NTAP recipients are required to recertify their eligibility annually. Failure to properly recertify a recipient's continued eligibility for NTAP will result in termination of the NTAP recipient's monthly NTAP discount and de-enrollment from NTAP.

**Additional NTAP Program Information**

NTAP is limited to one benefit per household, consisting of either wireline or wireless service. A household is defined as an individual or group of individuals who live together at the same address and share income and expenses. NTAP is a government benefit program, and consumers who willfully make false statements in order to obtain the benefit can be punished by fine or imprisonment or can be barred from the program.

**Pierce Telephone Company, Inc.**

**Progress Report of 5 Year Plan – Milestone Certification**

To be in compliance with the Milestone Certification of providing upon a reasonable request broadband service at actual speeds of 10 Mbps downstream/1 Mbps upstream:

- Pierce Telephone Company certifies that it has taken reasonable steps to provide upon a reasonable request broadband service at actual speeds of 10 Mbps downstream/1Mbps upstream with latency suitable for real-time applications, including Voice over Internet Protocol.
- The Company provides usage capacity that is reasonably comparable to comparable offerings in urban areas.
- The Company certifies that requests for such service are met within a reasonable amount of time.

**REDACTED -- FOR PUBLIC INSPECTION**

Redacted - For Public Inspection

PIERCE TELEPHONE COMPANY, INCORPORATED

Financial Statements and Schedule

Years Ended December 31, 2016 and 2015

(With Independent Accountant's Review Report Thereon)



PIERCE TELEPHONE COMPANY, INCORPORATED

Index to Financial Statements and Schedule

Years Ended December 31, 2016 and 2015

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Casey J. Moscrip, CPA

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Directors  
Pierce Telephone Company, Incorporated  
Pierce, Nebraska:

We have reviewed the accompanying financial statements of Pierce Telephone Company, Incorporated which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

(Continued)

**Supplementary Information**

The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our reviews, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

*Dohman, Akerlund & Edsley, LLC*

Aurora, Nebraska  
May 5, 2017

PIERCE TELEPHONE COMPANY, INCORPORATED

Balance Sheets

December 31, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents, including construction funds of [REDACTED] in 2016 and [REDACTED] in 2015	\$ [REDACTED]	[REDACTED]
Due from subscribers and agents	[REDACTED]	[REDACTED]
Inventory, at cost	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]
Total current assets	[REDACTED]	[REDACTED]
Other assets:		
Due from affiliated companies, net	[REDACTED]	[REDACTED]
Due from subscribers and agents	[REDACTED]	[REDACTED]
Other investment	[REDACTED]	[REDACTED]
Total other assets	[REDACTED]	[REDACTED]
Property and equipment, at cost	[REDACTED]	[REDACTED]
Less accumulated depreciation	[REDACTED]	[REDACTED]
Net property and equipment	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

See accompanying notes to financial statements.

<u>Liabilities and Stockholder's Equity</u>	<u>2016</u>	<u>2015</u>
Current liabilities:		
Current installments of long-term debt	\$ [REDACTED]	[REDACTED]
Accounts payable	[REDACTED]	[REDACTED]
Due to affiliated companies	[REDACTED]	[REDACTED]
Accrued expenses	[REDACTED]	[REDACTED]
Customer deposits	[REDACTED]	[REDACTED]
Advance billings and payments	[REDACTED]	[REDACTED]
Total current liabilities	[REDACTED]	[REDACTED]
Long-term debt, excluding current installments	[REDACTED]	[REDACTED]
Total liabilities	[REDACTED]	[REDACTED]
Stockholder's equity:		
Common stock of [REDACTED] par value per share, authorized [REDACTED] shares; issued and outstanding [REDACTED] shares in both 2016 and 2015	[REDACTED]	[REDACTED]
Retained earnings	[REDACTED]	[REDACTED]
Total stockholder's equity	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

Redacted - For Public Inspection

PIERCE TELEPHONE COMPANY, INCORPORATED

Statements of Operations

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Local service	\$ [REDACTED]	[REDACTED]
Toll service and access charges	[REDACTED]	[REDACTED]
Billing and collection revenue	[REDACTED]	[REDACTED]
Directory advertising and other revenue	[REDACTED]	[REDACTED]
Total operating revenues	[REDACTED]	[REDACTED]
Operating expenses:		
Plant specific operations	[REDACTED]	[REDACTED]
Plant nonspecific operations	[REDACTED]	[REDACTED]
Depreciation	[REDACTED]	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]
Total operating expenses	[REDACTED]	[REDACTED]
Operating loss	[REDACTED]	[REDACTED]
Operating taxes, other	[REDACTED]	[REDACTED]
Net operating loss	[REDACTED]	[REDACTED]
Nonoperating income (deductions):		
Investment income	[REDACTED]	[REDACTED]
Loss on sale of property and equipment	[REDACTED]	[REDACTED]
Net deregulated income, including depreciation expense of [REDACTED] in 2015	[REDACTED]	[REDACTED]
Special charges, contributions	[REDACTED]	[REDACTED]
Valuation allowance expense	[REDACTED]	[REDACTED]
Total nonoperating deductions, net	[REDACTED]	[REDACTED]
Loss prior to fixed charges	[REDACTED]	[REDACTED]
Fixed charges:		
Interest on long-term debt	[REDACTED]	[REDACTED]
Fixed charges, other interest	[REDACTED]	[REDACTED]
Total fixed charges	[REDACTED]	[REDACTED]
Net losses	\$ [REDACTED]	[REDACTED]

See accompanying notes to financial statements.

Redacted- For Public Inspection

PIERCE TELEPHONE COMPANY, INCORPORATED

Statements of Stockholder's Equity

Years Ended December 31, 2016 and 2015

	Common <u>Stock</u>	Retained <u>Earnings</u>	Total Stockholder's <u>Equity</u>
Balances at December 31, 2014			
Net losses			
Balances at December 31, 2015			
Net losses			
Balances at December 31, 2016	\$		

See accompanying notes to financial statements.

PIERCE TELEPHONE COMPANY, INCORPORATED

Statements of Cash Flows

Years Ended December 31, 2016 and 2015

<u>Decrease in Cash and Cash Equivalents</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from subscribers and agents	\$ [REDACTED]	[REDACTED]
Cash paid to suppliers and employees	[REDACTED]	[REDACTED]
Investment income received	[REDACTED]	[REDACTED]
Interest paid	[REDACTED]	[REDACTED]
Net cash provided by operating activities	[REDACTED]	[REDACTED]
Cash flows from investing activities:		
Proceeds from sale of property and equipment	[REDACTED]	[REDACTED]
Expenditures for miscellaneous physical property	[REDACTED]	[REDACTED]
Expenditures for property and equipment	[REDACTED]	[REDACTED]
Net receipts from affiliated companies	[REDACTED]	[REDACTED]
Net cash used by investing activities	[REDACTED]	[REDACTED]
Cash flows from financing activities,		
principal payments on long-term debt	[REDACTED]	[REDACTED]
Net decrease in cash and cash equivalents	[REDACTED]	[REDACTED]
Cash and cash equivalents at beginning of year	[REDACTED]	[REDACTED]
Cash and cash equivalents at end of year	\$ [REDACTED]	[REDACTED]

(Continued)



PIERCE TELEPHONE COMPANY, INCORPORATED

Statements of Cash Flows  
(Continued)  
Years Ended December 31, 2016 and 2015

<u>Reconciliation of Net Losses to Net Cash Provided by Operating Activities</u>		<u>2016</u>	<u>2015</u>
Net losses		\$ [REDACTED]	[REDACTED]
Adjustments to reconcile net losses to net cash provided by operating activities:			
Depreciation of property and equipment		[REDACTED]	[REDACTED]
Depreciation of miscellaneous physical property		[REDACTED]	[REDACTED]
Valuation allowance expense		[REDACTED]	[REDACTED]
Non-cash patronage dividends		[REDACTED]	[REDACTED]
Loss on sale of property and equipment		[REDACTED]	[REDACTED]
Decrease (increase) in:			
Due from subscribers and agents		[REDACTED]	[REDACTED]
Inventory		[REDACTED]	[REDACTED]
Prepaid expenses		[REDACTED]	[REDACTED]
Increase (decrease) in:			
Accounts payable		[REDACTED]	[REDACTED]
Accrued expenses		[REDACTED]	[REDACTED]
Customer deposits		[REDACTED]	[REDACTED]
Advance billings and payments		[REDACTED]	[REDACTED]
Total adjustments		[REDACTED]	[REDACTED]
Net cash provided by operating activities		\$ [REDACTED]	[REDACTED]

Supplemental Disclosures of Cash Flows Information

Property and equipment purchased using vendor financing during 2016 totaled [REDACTED]

Included in accounts payable was [REDACTED] for the purchase of property and equipment as of December 31, 2016.

Miscellaneous physical property with a net book value of [REDACTED] was transferred to PBN via recording a like amount in due from affiliated companies at December 31, 2015.

See accompanying notes to financial statements.

PIERCE TELEPHONE COMPANY, INCORPORATED

Notes to Financial Statements

December 31, 2016 and 2015

(1) Summary of Significant Accounting Policies

General

Pierce Telephone Company, Incorporated (the Company) is a wholly-owned subsidiary of Pierce Telecommunications, Inc. (Pierce), a holding company headquartered in Pierce, Nebraska. The Company is also affiliated with Pierce's wholly-owned subsidiary, Sapius, Inc. (SAP), which is an investment holding company. Additionally, the Company is affiliated with Fogle Enterprises, LLC (Fogle), Nebraska Long Distance, LLC (NLD), and PBN, LLC (PBN) through common ownership by Pierce. Fogle maintained an investment in a wireless phone system venture and currently has no operations, while NLD is an operating company which provides long distance telephone and communication services. PBN provides ETS ethernet transport and internet services. The Company provides telephone services to two exchanges in northeastern Nebraska and maintains its accounting records in accordance with the rules and regulations of the Nebraska Public Service Commission and utilizes the Uniform System of Accounts prescribed by the Federal Communications Commission. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents and statements of cash flows

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Additionally, advances to affiliated companies are presented on the net cash flow basis.

Due from subscribers and agents and allowance for doubtful receivables

Expenses include a provision for doubtful accounts to allow for estimated uncollectible accounts. This provision is based on past experience and on analysis of current accounts receivable collectability. Accounts are considered delinquent based on passage of a specified period of time and consideration of payment history. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. No allowances were deemed necessary for 2016 or 2015.

(Continued)

PIERCE TELEPHONE COMPANY, INCORPORATED

Notes to Financial Statements

Inventory valuation

Inventories of materials and supplies are valued at the lower of cost or market. Cost is generally determined using the first-in, first-out method.

Miscellaneous physical property

Depreciation of miscellaneous physical property is computed using the straight-line method over the estimated useful life of the related asset. All miscellaneous physical property was transferred to PBN during 2015.

Property and equipment

Maintenance and repairs of property and replacement of items determined to be less than units of property are charged to expense. Replacement and renewal of items considered to be units of property are charged to the property and equipment accounts. Most property and equipment retired or otherwise disposed of in the ordinary course of business, together with the cost of removal less salvage, is charged to accumulated depreciation. At the time of retirement or disposition of specifically identifiable units of equipment, accounts are relieved of cost and accumulated depreciation and gains or losses on the transactions are taken into income. Depreciation of property and equipment is determined using the straight-line method based on the estimated service lives. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. No asset impairments were recognized during the years ended December 31, 2016 and 2015.

Advertising and promotion costs

Advertising and promotion costs are expensed as incurred.

Revenues

Telecommunication service revenues are recognized when related services are provided.

Income taxes

Effective January 1, 2000, the Company elected to be taxed under the Subchapter S provisions of the Internal Revenue Code. Under these provisions, the Company is a Qualified Subchapter S subsidiary and its parent will recognize the Company's otherwise taxable income and will then "pass through" this income to its stockholders who are ultimately responsible for any income tax liabilities that may exist. Neither the Company nor its parent incurs income tax expense on such income; however, it can be subject to an excess net passive income tax and certain recapture taxes if certain requirements are met.

(Continued)

PIERCE TELEPHONE COMPANY, INCORPORATED

Notes to Financial Statements

The Company has adopted Financial Accounting Standards Board guidance related to accounting for any uncertainties in income taxes and required disclosures thereon. This guidance prescribes a minimum threshold a tax position is required to meet before being recognized on the financial statements. There were no unrecognized tax benefits or accruals for uncertain tax positions as of December 31, 2016 and 2015. The Company has not recognized any interest or penalties in relation to income tax filings as of or for the years ended December 31, 2016 or 2015. Additionally, the Company's status of being a Qualified Subchapter S subsidiary entity has been maintained and remains the tax position of the Company.

Subsequent events

The Company has evaluated subsequent events through May 5, 2017, which is the date the financial statements were considered "available to be issued".

(2) Cash and Cash Equivalents

A summary of cash and cash equivalents as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Operating cash	██████████	██████████
Construction funds	██████████	██████████
Petty cash	██████████	██████████
Outstanding checks and other in-transit items	██████████	██████████

The Company's cash and cash equivalents at December 31, 2016 and 2015 consisted of checking and money market accounts. All income associated with cash and cash equivalents is reported as nonoperating income in the statements of operations.

The Company maintains cash deposits with major banks which from time to time may exceed federally insured limits. The Company periodically assesses the financial condition of the institutions and believes the risk of any loss is minimal.

(3) Affiliated Companies and Related Party Transactions

Pierce provides employee services to the Company at scheduled rates per hour. Related costs of these services totaled ██████████ and ██████████ in 2016 and 2015, respectively, including amounts capitalized in property and equipment of ██████████ and ██████████ in 2016 and 2015, respectively.

(Continued)

PIERCE TELEPHONE COMPANY, INCORPORATED

Notes to Financial Statements

Cumulative balances due to the Company at December 31, 2016 and 2015 from Pierce are as follows:

	<u>2016</u>	<u>2015</u>
Due from parent company, net	[REDACTED]	[REDACTED]
Valuation allowance	[REDACTED]	[REDACTED]

A valuation allowance of [REDACTED] and [REDACTED] was established as of December 31, 2016 and 2015, respectively, as resources available to Pierce were not adequate to repay the Company in full for all outstanding advances due.

Additionally, the Company had miscellaneous receivables totaling [REDACTED] and [REDACTED] due from NLD and PBN as of December 31, 2016 and 2015, respectively. Balances due to SAP and NLD as of December 31, 2016 and SAP, PBN, and NLD as of December 31, 2015 totaled [REDACTED] and [REDACTED], respectively.

(4) Property and Equipment

A summary of property and equipment at December 31, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Work-in-progress	[REDACTED]	[REDACTED]
Intangibles	[REDACTED]	[REDACTED]
Land	[REDACTED]	[REDACTED]
Motor vehicles	[REDACTED]	[REDACTED]
Other work equipment	[REDACTED]	[REDACTED]
Buildings	[REDACTED]	[REDACTED]
Furniture	[REDACTED]	[REDACTED]
Office support equipment	[REDACTED]	[REDACTED]
Company communications equipment	[REDACTED]	[REDACTED]
General purpose computers	[REDACTED]	[REDACTED]
Computer software	[REDACTED]	[REDACTED]
Digital switching	[REDACTED]	[REDACTED]
Circuit equipment	[REDACTED]	[REDACTED]
Customer premises wiring	[REDACTED]	[REDACTED]
Pole lines	[REDACTED]	[REDACTED]
Buried cable	[REDACTED]	[REDACTED]
Conduit system	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

The composite depreciation rate was 6.53% in 2016 and 6.13% in 2015.

(Continued)

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PIERCE TELEPHONE COMPANY, INCORPORATED

Notes to Financial Statements

Depreciation expense (including non-regulated depreciation in 2015) totaled [REDACTED] and [REDACTED] during 2016 and 2015, respectively.

The Company transferred all miscellaneous physical property with a net book value of [REDACTED] to PBN as of December 31, 2015.

(5) Long-term Debt

Long-term debt at December 31, 2016 and 2015 is comprised of the following:

	<u>2016</u>	<u>2015</u>
[REDACTED] equipment note payable due in monthly installments of [REDACTED] through November 2019; secured with equipment with a net book value of [REDACTED] at December 31, 2016	[REDACTED]	[REDACTED]
[REDACTED] equipment note payable due in monthly installments of [REDACTED], including interest through November 2017; secured with equipment with a net book value of [REDACTED] at December 31, 2016	[REDACTED]	[REDACTED]
[REDACTED] equipment note payable due in monthly installments of [REDACTED] through April 2019; secured with equipment with a net book value of [REDACTED] at December 31, 2016	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Less current installments of long-term debt	[REDACTED]	[REDACTED]
Long-term debt, excluding current installments	[REDACTED]	[REDACTED]

Principal amounts due annually for the next three years through maturity are as follows:

Year Ending  
December 31,

2017  
2018  
2019

[REDACTED]  
[REDACTED]  
[REDACTED]

(Continued)

PIERCE TELEPHONE COMPANY, INCORPORATED

Notes to Financial Statements

(6) Retained Earnings

A summary of retained earnings at December 31, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Corporate earnings prior to Subchapter S elections	██████████	██████████
Undistributed Subchapter S earnings reflected in income tax returns filed or to be filed for periods ended December 31, 2016 or prior	██████████	██████████
Undistributed Subchapter S losses not yet taxed due to timing differences in reporting certain transactions for financial accounting and income tax purposes	██████████ ██████████	██████████ ██████████

(7) Operating Leases

The Company leases a copy machine and postage machine under various terms requiring future payments. Rental expense under the terms of these lease agreements was ██████████ and ██████████ in 2016 and 2015, respectively. The remaining future minimum rental payments required under the leases during 2017 total ██████████

(8) Reclassification

The Company's 2015 financial statements have been reclassified to conform with 2016 presentation.

PIERCE TELEPHONE COMPANY, INCORPORATED

Statistical Information

Years Ended December 31, 2016 and 2015

	2016		2015	
	Total	Amount per Station	Total	Amount per Station
Number of stations at end of year		<u>1,227</u>		<u>1,236</u>
Operating revenues:				
Local service	<u>478,496</u>	<u>390.97</u>	<u>535,563</u>	<u>433.75</u>
Toll service and access charges	<u>1,134,785</u>	<u>924.85</u>	<u>666,537</u>	<u>540.97</u>
Billing and collection	<u>30,054</u>	<u>24.56</u>	<u>45,419</u>	<u>36.75</u>
Directory advertising and other	<u>22,812</u>	<u>18.59</u>	<u>36,436</u>	<u>29.48</u>
Total operating revenues	<u>1,666,147</u>	<u>1,357.90</u>	<u>1,283,015</u>	<u>1,040.09</u>
Property and equipment	<u>2,295,590</u>	<u>1,870.80</u>	<u>1,500,076</u>	<u>1,213.11</u>
Less accumulated depreciation	<u>1,623,844</u>	<u>1,323.24</u>	<u>1,156,498</u>	<u>935.05</u>
Net property and equipment	<u>671,746</u>	<u>547.56</u>	<u>343,578</u>	<u>278.06</u>
Total liabilities	<u>1,595,633</u>	<u>1,299.35</u>	<u>1,267,897</u>	<u>1,025.33</u>
Total stockholder's equity	<u>1,591,983</u>	<u>1,273.95</u>	<u>1,081,577</u>	<u>875.16</u>
Total operating expenses (excluding taxes)	<u>2,012,221</u>	<u>1,639.95</u>	<u>1,509,409</u>	<u>1,221.20</u>
Operating taxes (excluding income taxes)	<u>31,741</u>	<u>25.87</u>	<u>23,181</u>	<u>18.75</u>
Net operating loss	<u>(377,815)</u>	<u>(307.92)</u>	<u>(252,515)</u>	<u>(204.21)</u>
Fixed charges	<u>1,013</u>	<u>0.83</u>	<u>2,810</u>	<u>2.27</u>
Return on rate base	<u>(12.1)%</u>		<u>(8.6)%</u>	
Percentage of net losses to year-end stockholder's equity			<u>(27.2)%</u>	
Ratio of long-term debt to net property and equipment	<u>1.1</u>		<u>1.1</u>	
Ratio of liabilities to stockholder's equity	<u>0.9</u>		<u>0.9</u>	
Ratio of net operating loss to fixed charges	<u>(234.23)</u>		<u>(104.12)</u>	

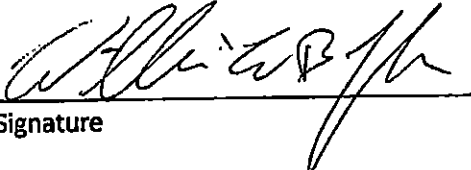


## Pierce Telephone Company

### Officer Certification of Financial Statements

I certify that I am an officer of the reporting carrier. I hereby certify that:

- Pierce Telephone Company is not audited in the ordinary course of business.
- The reported data in the attached financial statements, along with the underlying information, has been subjected to a review by an independent certified public accountant.
- To the best of my knowledge and belief, the information reported is accurate.

  
Signature

6/29/17  
Date

William WB Fogle  
Name

Vice President  
Title